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## **Sanxun Holdings Group Limited**

**三巽控股集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 6611)**

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021**

#### **INTERIM RESULTS HIGHLIGHTS**

- Revenue for the six months ended 30 June 2021 amounted to approximately RMB2,166.0 million, representing an increase of approximately 97.0% as compared to the six months ended 30 June 2020.
- Gross profit for the six months ended 30 June 2021 was approximately RMB507.8 million with a gross profit margin of approximately 23.4%.
- Profit for the six months ended 30 June 2021 was approximately RMB194.4 million, representing an increase of approximately 135.4% as compared to the six months ended 30 June 2020. Profit attributable to owners of the parent was approximately RMB62.0 million, representing a decrease of approximately 32.4% as compared to the six months ended 30 June 2020.
- Total assets as at 30 June 2021 were approximately RMB18,011.0 million, representing an increase of approximately 6.2% as compared to 31 December 2020.
- Contracted sales amount of the Group together with its associate for the six months ended 30 June 2021 amounted to approximately RMB4,805.5 million, representing a period-on-period increase of 44.7%; contracted GFA sold was approximately 537,100 sq.m. for the six months ended 30 June 2021, representing a period-on-period increase of 29.5%.
- Cash and bank balances were approximately RMB2,183.9 million as at 30 June 2021.
- Net gearing ratio was 7.3% as at 30 June 2021.

*Note:* The net gearing ratio was calculated by dividing the net of interest-bearing liabilities minus cash and bank balances by the total equity.

## INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Sanxun Holdings Group Limited (the “**Company**”) is pleased to announce the unaudited interim condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2021 (the “**Period**”), together with the comparative figures for the corresponding period in 2020, as follows:

### INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended 30 June	
		2021	2020
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
<b>REVENUE</b>	5	<b>2,165,956</b>	1,099,740
Cost of sales		<b>(1,658,121)</b>	(789,738)
<b>GROSS PROFIT</b>		<b>507,835</b>	310,002
Other income and gains		<b>5,898</b>	4,838
Selling and distribution expenses		<b>(108,921)</b>	(77,189)
Administrative expenses		<b>(96,018)</b>	(77,864)
Other expenses		<b>(1,823)</b>	(6,983)
Finance costs	6	<b>(18,753)</b>	(5,272)
Share of losses of:			
Associates		<b>(2,360)</b>	(1,924)
<b>PROFIT BEFORE TAX</b>		<b>285,858</b>	145,608
Income tax expense	7	<b>(91,492)</b>	(63,055)
<b>PROFIT FOR THE PERIOD</b>		<b>194,366</b>	82,553
Attributable to:			
Owners of the parent		<b>61,959</b>	91,695
Non-controlling interests		<b>132,407</b>	(9,142)
		<b>194,366</b>	82,553

		<b>Six months ended 30 June</b>	
		<b>2021</b>	<b>2020</b>
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b><u>194,366</u></b>	<b><u>82,553</u></b>
Attributable to:			
Owners of the parent		<b>61,959</b>	91,695
Non-controlling interests		<b><u>132,407</u></b>	<u>(9,142)</u>
		<b><u>194,366</u></b>	<b><u>82,553</u></b>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
Basic and diluted	9	<b><u>RMB0.13</u></b>	<b><u>RMB0.19</u></b>

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<b>30 June</b>	31 December
	<b>2021</b>	2020
<i>Notes</i>	<b><i>RMB'000</i></b>	<i>RMB'000</i>
	<b>(Unaudited)</b>	(Audited)
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	<b>22,159</b>	28,499
Right-of-use assets	<b>45,984</b>	51,549
Investments in associates	<b>23,202</b>	25,562
Deferred tax assets	<b>382,799</b>	380,531
	<hr/>	<hr/>
Total non-current assets	<b>474,144</b>	486,141
<b>CURRENT ASSETS</b>		
Properties under development	<b>11,607,322</b>	11,656,637
Completed properties held for sale	<b>1,116,902</b>	540,891
Due from related parties	<b>20,798</b>	40,392
Prepayments, other receivables and other assets	<b>2,298,722</b>	1,723,663
Tax recoverable	<b>222,675</b>	209,805
Restricted cash	<b>1,200,453</b>	1,477,174
Pledged deposits	<b>327,597</b>	307,232
Cash and cash equivalents	<b>655,828</b>	457,430
Contract cost assets	<b>86,606</b>	64,114
	<hr/>	<hr/>
Total current assets	<b>17,536,903</b>	16,477,338
<b>CURRENT LIABILITIES</b>		
Trade and bills payables	<i>10</i> <b>1,453,573</b>	1,429,801
Other payables and accruals	<b>1,396,325</b>	1,902,844
Contract liabilities	<b>10,562,602</b>	9,458,949
Due to related parties	<b>3,951</b>	3,709
Interest-bearing bank and other borrowings	<b>1,482,676</b>	1,065,298
Lease liabilities	<b>12,849</b>	12,823
Tax payable	<b>460,570</b>	468,530
	<hr/>	<hr/>
Total current liabilities	<b>15,372,546</b>	14,341,954

	<b>30 June</b>	31 December
	<b>2021</b>	2020
<i>Notes</i>	<b><i>RMB'000</i></b>	<i>RMB'000</i>
	<b>(Unaudited)</b>	(Audited)
<b>NET CURRENT ASSETS</b>	<b><u>2,164,357</u></b>	<u>2,135,384</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b><u>2,638,501</u></b>	<u>2,621,525</u>
<b>NON-CURRENT LIABILITIES</b>		
Interest-bearing bank and other borrowings	<b>829,306</b>	1,031,154
Lease liabilities	<b>33,873</b>	39,025
Deferred tax liabilities	<b>9,155</b>	8,791
	<u>872,334</u>	<u>1,078,970</u>
Total non-current liabilities	<b>872,334</b>	1,078,970
<b>NET ASSETS</b>	<b><u>1,766,167</u></b>	<u>1,542,555</u>
<b>EQUITY</b>		
<b>Equity attributable to owners of the parent</b>		
Share capital	<i>11</i> –	–
Reserves	<b>1,023,118</b>	947,759
	<u>1,023,118</u>	<u>947,759</u>
<b>Non-controlling interests</b>	<b>743,049</b>	594,796
	<u>743,049</u>	<u>594,796</u>
<b>TOTAL EQUITY</b>	<b><u>1,766,167</u></b>	<u>1,542,555</u>

# NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. During the six months ended 30 June 2021, the subsidiaries now comprising the Group were involved in property development. The immediate holding company of the Company is Q Kun Ltd. The controlling shareholder of the Group is Mr. Qian Kun (the “**Controlling Shareholder**”).

## 2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2021 has been prepared in accordance with IAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2020.

## 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised International Financial Reporting Standards (“**IFRSs**”) for the first time for the current period’s financial information.

Amendments to IFRS 9, IAS 39, IFRS 7,  
IFRS 4 and IFRS 16  
Amendment to IFRS 16

*Interest Rate Benchmark Reform – Phase 2*

*COVID-19-Related Rent Concessions  
beyond 30 June 2021 (early adopted)*

The adoption of these revised standards did not have any material effect on the financial performance and position of the Group.

#### 4. OPERATING SEGMENT INFORMATION

Management monitors the operating results of the Group's business which includes property development by project locations for the purpose of making decisions about resource allocation and performance assessment. As all the locations have similar economic characteristics and are similar in the nature of property development, the nature of the aforementioned business processes, the type or class of customer for the aforementioned business and the methods used to distribute the properties, thus all locations were aggregated as one reportable operating segment.

##### Geographical information

No further geographical information is presented as the Group's revenue from the external customers is derived solely from its operation in Mainland China and no non-current assets of the Group are located outside Mainland China.

##### Information about major customers

No sales to a single customer or a group of customers under common control accounted for 10% or more of the Group's revenue during the six months ended 30 June 2021 and 2020.

#### 5. REVENUE

Revenue represents income from the sale of properties for the six months ended 30 June 2021.

An analysis of revenue is as follows:

##### Revenue:

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Sale of properties	<u>2,165,956</u>	<u>1,099,740</u>
<b>Represented by:</b>		
Revenue from the sale of properties:		
Recognised at a point in time	<u>2,165,596</u>	<u>1,099,740</u>

An analysis of the Group's other income and gains is as follows:

	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
	<b>(Unaudited)</b>	(Unaudited)
Interest income	4,536	3,650
Forfeiture of deposits	813	585
Foreign exchange gain	118	–
Investment income	6	336
Government grants	143	11
Others	282	256
	<u>5,898</u>	<u>4,838</u>

## 6. FINANCE COSTS

An analysis of finance costs is as follows:

	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
	<b>(Unaudited)</b>	(Unaudited)
Interest on bank and other borrowings	100,192	109,873
Interest on lease liabilities	1,272	237
Interest expense arising from revenue contracts	203,029	184,989
	<u>304,493</u>	295,099
Total interest expense	304,493	295,099
Less: Interest capitalised	(285,740)	(289,827)
	<u>18,753</u>	<u>5,272</u>

## 7. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the companies incorporated in the Cayman Islands and British Virgin Islands respectively are not subject to any income tax. The Group's subsidiaries incorporated in Hong Kong were not liable for income tax as they did not have any assessable profits currently arising in Hong Kong during the six months ended 30 June 2021.

Subsidiaries of the Group operating in Mainland China were subject to the People's Republic of China ("PRC") corporate income tax at the rate of 25% for the six months ended 30 June 2021.



Land appreciation tax (“LAT”) is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sale of properties less deductible expenditures including land costs, borrowing costs and other property development expenditures. The Group has estimated, made and included in taxation a provision for LAT according to the requirements set forth in the relevant the PRC tax laws and regulations. The LAT provision is subject to the final review and approval by the local tax bureau.

	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Current tax:		
PRC corporate income tax	<b>77,886</b>	105,526
PRC LAT	<b>15,510</b>	28,259
Deferred tax	<b>(1,904)</b>	(70,730)
	<hr/>	<hr/>
Total tax charge for the period	<b>91,492</b>	63,055
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## **8. DIVIDENDS**

No dividends have been declared or paid by the Company for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

## **9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT**

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent of RMB61,959,000 (six months ended 30 June 2020: RMB91,695,000), and the weighted average number of ordinary shares in issue during the period. On 19 July 2021, the Company issued 494,990,000 new shares upon capitalization of an amount of HK\$4,949.9 standing to the credit of the share premium account of the Company (the “**Capitalization**”). After the Capitalization, the number of shares was increased from 10,000 to 495,000,000. The calculation of basic and diluted earnings per share is adjusted for the proportionate change as if the Capitalization had occurred at the beginning of the earliest period presented.

No adjustment has been made to the basic earnings per share amount presented for the six months ended 30 June 2021 and 2020 in respect of a dilution as the Group had no potential dilutive ordinary shares in issue during the periods.

## 10. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	<b>30 June 2021 RMB'000 (Unaudited)</b>	31 December 2020 RMB'000 (Audited)
Less than 1 year	<b>1,433,018</b>	1,408,779
Over 1 year	<b>20,555</b>	21,022
	<b><u>1,453,573</u></b>	<u>1,429,801</u>

Trade payables are unsecured and interest-free and are normally settled based on the progress of construction.

## 11. SHARE CAPITAL

	<b>30 June 2021 (Unaudited)</b>	31 December 2020 (Audited)
<b>Authorised:</b>		
38,000,000,000 ordinary shares of HKD\$0.00001 each	<b><u>HKD\$380,000</u></b>	<u>HKD\$380,000</u>
	<b>RMB'000</b>	RMB'000
<b>Issued and fully paid:</b>		
10,000 ordinary shares of HKD\$0.00001	<u>—</u>	<u>—</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The Group is a fast-growing real estate developer in the PRC focusing on the development and sales of residential properties. Headquartered in Shanghai and deeply rooted in Anhui Province, the Group had established its presence in the Yangtze River Delta. Since the establishment of its predecessor, Anhui Sanxun Investment Group Co., Ltd., in 2004, the Group had been strategically focusing on the real estate market in Anhui Province, actively expand cities located in the Yangtze River Delta, expanded its operation from core prefecture-level cities to county-level cities in the province, and had also successfully expanded into the real estate markets of Shandong and Jiangsu provinces since 2018.

The Group was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (Stock Code: 6611) by way of the global offering (as defined in the prospectus of the Company dated 30 June 2021 (the “**Prospectus**”)) on 19 July 2021 (the “**date of Listing**”) (the “**Listing**”). This marked an important milestone in the development of the Group.

The Group achieved a constant growth during the six months ended 30 June 2021. The Group’s revenue increased from RMB1,099.7 million for the six months ended 30 June 2020 to RMB2,166.0 million for the six months ended 30 June 2021. The Group’s profit increased from RMB82.6 million for the six months ended 30 June 2020 to RMB194.4 million for the six months ended 30 June 2021. For the six months ended 30 June 2021, including an associate, the Group recorded unaudited contracted sales of approximately RMB4,805.5 million, representing a period-on-period increase of 44.7%.

By optimizing the debt structure, controlling debt growth and strengthening cash reserves, the Group continued to intensify its financial risk resistance. As at 30 June 2021, the Group’s major debt indicators remained at an industry healthy level, including net gearing ratio of 7.3% (31 December 2020: net cash), cash-to-short term borrowing ratio of 1.5 times (31 December 2020: 2.1 times) and liabilities to asset ratio (excluding advanced sales proceeds) of 76.3% (31 December 2020: 79.4%), it is expected that all “Three Red Lines” will be satisfied.

The Group’s projects have received various awards during the six months ended 30 June 2021, including Hefei Sanxun·Elegance (合肥三巽·和悦風華) was granted with “Year 2020 Excellent Project” (2020年度優秀樓盤) as announced by the Real Estate Chamber of Commerce of Anhui Province, and Huaiyuan Sanxun·Elegance (懷遠三巽·風華和悦) was granted with “Year 2021 Real Estate Quality and Safety Premises” (2021安徽房地產質量放心樓盤) as announced by the Real Estate Research Institution of Anhui Province, which reflected our excellent quality and production capabilities.

With both opportunities and challenges in the real estate industry, the Group adhered to its goal of “Creating a Happy Life” and operational approaches of “Maintaining stable results with rising trend, increase efficiency and reduce expenditure”. The Group focused on the improvement of core business capabilities, deepened its Yangtze River Delta development footprint, forged ahead and achieved good operational results.

## Industry Review

Looking back to the first half of 2021, as the negative impact of the novel coronavirus (“COVID-19”) epidemic gradually faded away, coupled with a series of proactive fiscal policies and prudent monetary policies adopted by the state and governments at all levels, the post-epidemic real estate market continued to be recovered, and the scale of commodity housing sales increased significantly. In the first half of 2021, the policy keynote of “stabilizing housing price, land premium and expectation” in the real estate market remained unchanged and the principle of “houses are for living instead of speculation” were always adhered to, which emphasised on the continuity and stability of real estate regulatory policies. Compared to 2020, the central people’s government (the “**Central Government**”) of the PRC further focused on its regulation logic on the supply side and the real estate finance regulation continued to be more stringent. At the same time, it strengthened the regulation efforts on the second-hand housing market to ensure the stable and healthy development of the real estate market.

In the post-epidemic era, along with the continuous adjustment of real estate industry by the Central Government and local governments, the core tier-1 and tier-2 cities in the PRC, especially in the Yangtze River Delta Region (including Hefei, Nanjing, Wuxi and other deep-cultivated cities), which is the focus of the Group, showed a steady trend after a fast recovery. The sales volume in these cities remained at a higher growth rate, which reflects relatively sustained and strong market demand.

The impact of COVID-19 outbreak on Anhui Province’s real estate market is not significant and has gradually relieved since the second quarter of 2020. Both total sales and average selling price of residential properties quickly rebounded in the second quarter of 2020 and remained at a relatively high level since second half of 2020. Overall, it is expected that in the medium and long run, the real estate market of Anhui Province would remain stable.

In terms of land market, the policy of “centralised supply of residential land in 22 major cities” introduced by the Ministry of Housing and Urban-Rural Development enhanced the transparency and predictability of the supply side of land, which is beneficial to the healthy and steady development of the industry. For the real estate industry, companies with sufficient capital and steady operations will be the fastest players to adapt to the new policy. Under the impact of the “Three Red Lines” and the centralized real estate loan management policies, real estate companies have further deleveraged, reduced debt and ensured their debt maintained at a reasonable and safe level, further stabilizing the real estate market.

Under the policies of continuous adjustment by the Central Government and local governments, higher requirements are imposed for real estate enterprises to strengthen their internal control and operation. Real estate enterprises shall pay more attention to refined operation, risk management and improvement of product quality while expanding their scale, achieving qualitative and quantitative development by continuously meeting more and more customers’ needs for improved quality.

## OUTLOOK

The year 2021 marks the commencement of the 14th Five-Year Plan. Looking ahead, the industry is gradually returning to be rational and returning to the very essence of operation. In the first half of 2021, the gross domestic product was RMB53.2 trillion, representing a period-on-period increase of 12.7%; the national real estate development investment was RMB7.2 trillion, representing a period-on-period increase of 15.0%; the sales area of commercial housings was 89,000 square meters (“sq.m.”), representing a period-on-period increase of 27.7%. With the COVID-19 situation becoming more contained, the overall recovery trend of China’s national economy is positive and the momentum of steady recovery of China’s macro economy will continue. Looking forward to the second half of 2021, against the background of the unchanged real estate control policies, the “Three Red Lines” of real estate financing, the tightening of market liquidity margins, and the implementation of the policy of “centralised land supply” and “centralised management of housing loans” will continue to bring new challenges to real estate investment, but it also drives real estate developers to focus on cash flow of operating activities and promotes further improvement of sustainable operation capabilities. Against the current macro economic background, the prospects of the real estate market are still optimistic in the long-term. The Group adheres to the business strategy of keeping expenditure within the limits of revenue, insisting on steady investment and further improving the accuracy of land bank expansion. In the future, in addition to participating in land bidding, auctions and listings in the public market, the Group will vigorously explore the non-public market resources and acquire quality land resources reserve through mergers and acquisitions, urban renewal and industrial city and other approaches. Driven by the macro economic policy environment, the Group will further stabilise its leverage and increase its turnover rate and improve management quality.

In terms of financial management, the Group will continue to comply with relevant regulatory requirements, strengthen financial disciplines, insist on strengthening financial security and maintain sufficient liquidity. The Group will further broaden financing channels and further develop low-cost financing channels.

The real estate market in the Yangtze River Delta is a region which recovers quickly in the post-epidemic period. In the second half of 2021, with the backing of the Anhui province cities that the Group was deeply rooted for many years, the Group will continue to actively expand in Yangtze River Delta cities. The Group will make full use of the listing on the Stock Exchange as a platform to achieve diversified financing channels and promote the business development of the Group to maximise returns to its shareholders.

## Property Development Business

### Contracted sales

For the six months ended 30 June 2021, the Group recorded unaudited contracted sales of approximately RMB4,805.5 million, representing a period-on-period increase of 44.7%, and contracted gross floor area (“GFA”) sold of approximately 537,100 sq.m., representing a period-on-period increase of 29.5%. The average selling price (“ASP”) of our contracted sales for the six months ended 30 June 2021 was approximately RMB8,947 per sq.m., representing a period-on-period increase of approximately 11.7%.

As at 30 June 2021, the Group had contract liabilities of approximately RMB10,562.6 million, as compared to approximately RMB9,458.9 million as at 31 December 2020, representing an increase of approximately 11.7%.

### Sale of properties

The following table sets forth a breakdown of the Group’s revenue recognised from sales of properties development, the aggregate GFA delivered, and the recognised ASP per square meter by geographic locations for the periods indicated:

Cities	Six months ended 30 June 2021			Six months ended 30 June 2020		
	GFA delivered sq.m.	Total revenue RMB'000 (unaudited)	Recognised ASP (RMB/sq.m.)	GFA delivered sq.m.	Total revenue RMB'000 (unaudited)	Recognised ASP (RMB/sq.m.)
Chuzhou <sup>(1)</sup>	46,380	304,797	6,572	60,118	389,875	6,485
Mingguang	21,080	108,272	5,136	6,635	29,297	4,416
Lixin	49,888	346,390	6,943	52,118	377,323	7,240
Bozhou <sup>(2)</sup>	12,738	78,008	6,124	39,843	303,245	7,611
Fengyang	3,458	23,734	6,864	–	–	–
Hefei	9,096	118,379	13,014	–	–	–
Fuyang	171,202	1,183,387	6,912	–	–	–
Tai'an	530	2,989	5,640	–	–	–
<b>Total</b>	<b>314,372</b>	<b>2,165,956</b>	<b>6,890</b>	<b>158,714</b>	<b>1,099,740</b>	<b>6,929</b>

#### Notes:

(1) Excludes Mingguang and Fengyang.

(2) Excludes Lixin.

As at 30 June 2021, the Group had a diverse portfolio of 44 projects, 11 were completed projects, 30 were projects under development and 3 were projects held for future development.

As at 30 June 2021, the Group had completed properties held for sale of RMB1,116.9 million, representing a 106.5% increase from RMB540.9 million as at 31 December 2020. The increase was primarily due to the increase in GFA completed during the Period. The Group has obtained the construction completion certificates in respect of all completed properties held for sale.

As at 30 June 2021, the Group had properties under development of RMB11,607.3 million, representing a 0.4% decrease from RMB11,656.6 million as at 31 December 2020, which remained stable as compared to the corresponding period last year.

## Land Reserves

The following table sets forth the GFA breakdown of the Group's land reserves portfolio as at 30 June 2021 in terms of geographic locations:

	Numbers of Projects	Completed saleable GFA unsold (in sq.m.)	Planned GFA Under Development (in sq.m.)	Estimated GFA held for Future Development (in sq.m.)	Land Reserves (in sq.m.)	% of Total Land Reserves
<i>Subsidiaries</i>						
<b>Anhui Province</b>						
Bozhou	14	98,931	1,193,973	2,296	1,295,200	30.8%
Chuzhou	6	47,688	148,977	90,148	286,813	6.8%
Huainan	2	–	260,710	132,101	392,811	9.3%
Hefei	3	62,306	257,197	63,816	383,318	9.1%
Fuyang	1	30,956	66,043	–	97,000	2.3%
Anqing	1	–	115,771	–	115,771	2.8%
Suzhou	2	–	199,459	101,632	301,091	7.2%
Xuancheng	1	–	129,008	–	129,008	3.1%
Bengbu	3	–	106,665	193,968	300,633	7.1%
<b>Subtotal</b>	<b>33</b>	<b>239,881</b>	<b>2,477,803</b>	<b>583,961</b>	<b>3,301,645</b>	<b>78.5%</b>

	Numbers of Projects	Completed saleable GFA unsold (in sq.m.)	Planned GFA Under Development (in sq.m.)	Estimated GFA held for Future Development (in sq.m.)	Land Reserves (in sq.m.)	% of Total Land Reserves
<b>Jiangsu Province</b>						
Nanjing	5	17,514	193,866	–	211,380	5.0%
Wuxi	4	–	314,473	69,725	384,198	9.1%
<b>Subtotal</b>	<b>9</b>	<b>17,514</b>	<b>508,339</b>	<b>69,725</b>	<b>595,578</b>	<b>14.2%</b>
<b>Shangdong Province</b>						
Tai'an	1	6,216	141,239	–	147,455	3.5%
<b>Subtotal</b>	<b>1</b>	<b>6,216</b>	<b>141,239</b>	<b>–</b>	<b>147,455</b>	<b>3.5%</b>
<b>Total-Subsidiary</b>	<b>43</b>	<b>263,611</b>	<b>3,127,380</b>	<b>653,686</b>	<b>4,044,677</b>	<b>96.2%</b>
<i>Associate</i>						
Hefei	1	–	160,052	–	160,052	3.8%
<b>Total-Associate</b>	<b>1</b>	<b>–</b>	<b>160,052</b>	<b>–</b>	<b>160,052</b>	<b>3.8%</b>
<b>Total Land Reserves</b>	<b>44</b>	<b>263,611</b>	<b>3,287,432</b>	<b>653,686</b>	<b>4,204,729</b>	<b>100%</b>



## FINANCIAL REVIEW

### Revenue

The Group's revenue during the Period consisted of revenue derived from sales of properties. Revenue of the Group increased by 97.0% from approximately RMB1,099.7 million for the six months ended 30 June 2020 to approximately RMB2,166.0 million for the six months ended 30 June 2021, primarily due to the increase of delivered GFA for the six months ended 30 June 2021. The total aggregate GFA recognised increased from 158,714 sq.m. for the six months ended 30 June 2020 to 314,372 sq.m. for the six months ended 30 June 2021 primarily due to more properties completed and delivered for the six months ended 30 June 2021.

The table below sets forth the Group's revenue recognised, aggregate GFA delivered and recognised ASP by property types for the periods indicated:

	Six months ended 30 June						
	2021			2020			
	GFA delivered	Recognised revenue	Recognised ASP	GFA delivered	Recognised revenue	Recognised ASP	
	sq.m.	RMB'000	(RMB/sq.m.)	sq.m.	RMB'000	(RMB/sq.m.)	
		(unaudited)				(unaudited)	
Residential	302,921	2,096,299	6,920	156,110	1,079,275	6,913	
Commercial	4,306	52,422	12,174	2,095	19,835	9,467	
Carparks and underground storage space <sup>(1)</sup>	7,145	17,235	2,412	509	630	1,237	
<b>Total</b>	<b>314,372</b>	<b>2,165,956</b>	<b>6,890</b>	<b>158,714</b>	<b>1,099,740</b>	<b>6,929</b>	

Note:

(1) Includes non-saleable carparks for which the Group transferred the right of use to customers.

## **Cost of Sales**

The Group's cost of sales primarily represents the costs incurred directly associated with the property development activities. The principal components of the Group's cost of sales includes construction and labor costs, land use rights costs and capitalised interest costs on related borrowings for the purpose of property development during the period of construction.

The cost of sales of the Group increased by 110.0% from approximately RMB789.7 million for the six months ended 30 June 2020 to approximately RMB1,658.1 million for the six months ended 30 June 2021, which was generally in line with the increase in the delivery of properties.

## **Gross Profit and Gross Profit Margin**

Gross profit of the Group increased by 63.8% from approximately RMB310.0 million for the six months ended 30 June 2020 to approximately RMB507.8 million for the six months ended 30 June 2021 primarily due to more properties completed and delivered for the six months ended 30 June 2021.

Our gross profit margin decreased to 23.4% for the six months ended 30 June 2021, as compared to 28.2% for the six months ended 30 June 2020 primarily because of the completion and delivery of Fuyang Mandarin Upper Shire (阜陽文華上郡) and Hefei Elegance (合肥和悅風華), which recorded comparatively lower gross profit margins.

## **Other Income and Gains**

The Group's other income and gains primarily consist of interest income, investment income, forfeiture of deposits and others. Interest income primarily consists of interest income on bank deposits and investment income primarily consists of wealth management products. Forfeiture of deposits primarily represents forfeited deposits received from certain homebuyers who did not subsequently enter into pre-sales/sales contracts with the Group and penalties received from certain customers due to their breach of sales or pre-sales contracts with the Group.

Other income and gains of the Group increased by 22.9% from approximately RMB4.8 million for the six months ended 30 June 2020 to approximately RMB5.9 million for the six months ended 30 June 2021, primarily due to the increase of interest income on bank deposit.

### **Selling and Marketing Expenses**

Selling and marketing expenses primarily consist of sales commissions, advertising, marketing and business development expenses, staff costs, depreciation and amortisation, office expenses, rent, travel and others.

Selling and marketing expenses of the Group increased by 41.1% from approximately RMB77.2 million for the six months ended 30 June 2020 to approximately RMB108.9 million for the six months ended 30 June 2021, which was primarily due to increased promotion and marketing activities for the Group's projects.

### **Administrative Expenses**

Administrative expenses primarily consist of staff costs, hospitality cost, office expenses, travel, rental, tax and professional fees.

Administrative expenses of the Group increased by 23.2% from approximately RMB77.9 million for the six months ended 30 June 2020 to approximately RMB96.0 million for the six months ended 30 June 2021, primarily due to a continuous expansion in the Group's business scale.

### **Other Expenses**

Other expenses primarily consist of accrued liabilities, compensation to customers, penalties, donation, exchange loss and others.

Other expenses of the Group decreased by 74.3% from approximately RMB7.0 million for the six months ended 30 June 2020 to approximately RMB1.8 million for the six months ended 30 June 2021, primarily resulted from the absence of impact of accrued liabilities recorded in relation to the delayed delivery of properties of RMB5.7 million for the six months ended 30 June 2020.

## **Finance Costs**

Finance costs primarily consist of interest on loans and other borrowings and interest on pre-sales deposits, net of interest capitalised.

Finance costs of the Group increased by 254.7% from approximately RMB5.3 million for the six months ended 30 June 2020 to approximately RMB18.8 million for the six months ended 30 June 2021, primarily due to completion of projects with the capitalised finance costs incurred in 2020.

## **Income Tax Expenses**

Income tax expenses represent corporate income tax and income tax and LAT payable by subsidiaries of the Group in the PRC.

Income tax expenses of the Group increased by 45.0% from approximately RMB63.1 million for the six months ended 30 June 2020 to approximately RMB91.5 million for the six months ended 30 June 2021, primarily due to an increase in the taxable income as the Group's profit before tax increased.

## **Profit For the Six Months Ended 30 June 2021**

As a result of the foregoing, the Group recorded a profit for the period of approximately RMB194.4 million for the six months ended 30 June 2021, as compared to a profit of approximately RMB82.6 million for the six months ended 30 June 2020.

## **LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES**

The Group operated in a capital-intensive industry and financed the Group's working capital, capital expenditure and other capital requirements primarily through cash generated from operations including proceeds from the pre-sales of its properties, as well as bank and other borrowings, which were typically designated for specific construction and projects of the Group.

Following the continuous expansion of property portfolio of the Group, it is expected the saleable GFA of the Group will continue to increase from which the Group expects to generate additional operating cash. The Group intends to continue to monitor its development and construction schedules, property sales and land acquisition plans based on the cash inflow associated with existing and planned external financing opportunities, including but not limited to the issuance of corporate bonds or other debt offerings and property sales proceeds.

## Cash Position

As at 30 June 2021, the Group had cash and bank balances of approximately RMB2,183.9 million (31 December 2020: RMB2,241.8 million), which primarily consisted of restricted cash, pledged deposit and cash and cash equivalents.

## Indebtedness

As at 30 June 2021, the Group had total indebtedness, including bank loans and other borrowings, amounted to approximately RMB2,312.0 million (31 December 2020: approximately RMB2,096.5 million).

The following table sets forth the components of the Group's indebtedness as at the dates indicated:

	<b>30 June 2021 RMB'000</b>	31 December 2020 RMB'000
<b>Current Borrowings</b>		
Bank loans – secured	<b>174,802</b>	114,000
Other loans – secured <sup>(1)</sup>	<b>1,247,934</b>	942,326
Other loans – unsecured <sup>(1)</sup>	<b>59,940</b>	8,972
Total Current Borrowings	<b><u>1,482,676</u></b>	<u>1,065,298</u>
<b>Non-Current Borrowings</b>		
Bank loans – secured	<b>820,340</b>	794,220
Other loans – secured <sup>(1)</sup>	<b>8,966</b>	236,934
Total Non-Current Borrowing	<b><u>829,306</u></b>	<u>1,031,154</u>
<b>Total</b>	<b><u>2,311,982</u></b>	<b><u>2,096,452</u></b>

*Note:*

- (1) These borrowings are mainly in the form of trust and assets management financing arrangements with trust financing providers and asset management companies, and other financing arrangements with companies and independent third party individuals.

The following table sets forth the maturity profiles of the Group's bank and other borrowings as at the dates indicated:

	<b>30 June 2021</b>	31 December 2020
	<i>RMB'000</i>	<i>RMB'000</i>
Repayable within one year	<b>1,482,676</b>	1,065,298
Repayable in the second year	<b>829,306</b>	1,031,154
<b>Total</b>	<b><u>2,311,982</u></b>	<b><u>2,096,452</u></b>

### **Gearing Ratio**

The net gearing ratio was approximately 7.3% as at 30 June 2021 (31 December 2020: at a net cash position). The increase in the net gearing ratio as at 30 June 2021 was mainly due to increase in the bank and other borrowings of the Group during the six months ended 30 June 2021.

### **Credit Risk**

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its contractual obligations. The Group had no significant concentrations of credit risk in view of its large number of customers. The credit risk of the Group's other financial assets, which mainly comprise restricted cash, pledged deposits, cash and cash equivalents, financial assets included in prepayments, other receivables and other assets, and amounts due from related parties, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. The Directors do not expect any material losses from non-performance of these counterparties.

## **Foreign Exchange Risks**

The Group mainly operates its business in the PRC, and all of its revenue and expenses are substantially denominated in Renminbi, while the net proceeds from the Listing is payable in Hong Kong dollar. As at 30 June 2021, among the Group's cash at bank and on hand, only RMB0.4 million was denominated in Hong Kong dollar and was subject to fluctuation of the exchange rate. The Group does not have any policy to hedge against foreign exchange risk. However, the Group will closely monitor its foreign exchange exposure, and strive to maintain the value of the Group's cash.

## **Interest Rate Risk**

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's exposure to changes in market interest rates is mainly attributable to its interest-bearing loans and other borrowings. The Group had not used derivative financial instruments to hedge interest rate risk, and obtained all bank borrowings and other borrowings with fixed rates. The Directors do not anticipate significant impacts to interest-bearing assets resulting from the changes in interest rates, because the interest rates of cash equivalents are not expected to change significantly.

## **Pledge of Assets**

As at 30 June 2021, certain of the Group's bank and other borrowings are secured by the pledges of the Group's assets with carrying values of approximately RMB3,950.2 million (31 December 2020: approximately RMB4,060.5 million) which mainly include properties under development.

## Contingent Liabilities

The Group provides mortgage guarantees to banks in respect of the mortgage loans they provided to customers of the Group in order to secure the repayment obligations of such customers. The mortgage guarantees are issued from the execution of the mortgage guarantee contract up until (i) two years after the maturity of the bank borrowings and mortgages in the event of customer's default; or (ii) the registration of the mortgage are completed. If a purchaser defaults on the mortgage loan, the Group is typically required to repurchase the underlying property by paying off the mortgage loan. If the Group fails to do so, the mortgagee banks will auction the underlying property and recover the balance from the Group if the outstanding loan amount exceeds the net foreclosure sale proceeds. In line with industry practice, the Group does not conduct independent credit checks on its customers but rely on the credit checks conducted by the mortgagee banks.

The following table sets forth the Group's total guarantees as at the dates indicated:

	<b>30 June 2021 RMB'000</b>	31 December 2020 RMB'000
Guarantees given to banks in connection with facilities granted to purchasers of the Group's properties	<u>8,155,577</u>	<u>7,084,443</u>
<b>Total</b>	<b><u>8,155,577</u></b>	<b><u>7,084,443</u></b>

## Capital Commitment

As at 30 June 2021, the Group's capital commitment it had contracted but yet provided for was RMB3,897.9 million, compared to RMB4,146.1 million as at 31 December 2020.

## SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There were no significant investments held, no material acquisitions or disposals of subsidiaries, associates and joint ventures during the Period. Save as disclosed in the section headed "Future Plans and Use of Proceeds" in the Prospectus and this announcement, there was no any plan authorised by the Board for other material investments or additions of capital assets as at 30 June 2021.



## **EMPLOYEES AND REMUNERATION POLICY**

As at 30 June 2021, the Group had 735 employees. The Group offers its employees competitive remuneration packages that include salary, bonus and various allowances. The Group also contributes to social insurance for its employees, including medical insurance, work-related injury insurance, retirement insurance, maternity insurance, unemployment insurance and housing funds. The Group had also implemented a variety of training programs for its employees at different levels on a regular basis to meet different requirements and emphasise individual initiative and responsibility.

The Directors and members of the senior management receive compensation from the Group in the form of salaries, bonuses and other benefits in kind such as share option award, contributions to pension plans. The Board will review and determine the remuneration and compensation packages of the Directors and senior management, and will receive recommendation from the remuneration committee of the Board which will take into account salaries paid by comparable companies, time commitment and responsibilities of the Directors and performance of the Group.

## **SUBSEQUENT EVENTS**

In connection with the listing of the shares of the Company on the Stock Exchange, 165,000,000 new ordinary shares with a nominal value of HK\$0.00001 each were issued at a price of HK\$4.75 per ordinary share for a total cash consideration of HK\$783,750,000, before deducting underwriting fees, commissions and related expenses. In addition, 494,990,000 shares were issued by way of Capitalization Issue (as defined in the Prospectus). Dealings in the shares of the Company on the Stock Exchange commenced on 19 July 2021.

On 11 August 2021, the over-allotment option has been partially exercised and the Company allotted and issued 15,529,000 additional shares at HK\$4.75 per share. For details, please refer to the announcement of the Company dated 11 August 2021.

Save as disclosed above, no material events were undertaken by the Group subsequent to 30 June 2021 and up to the date of this announcement.

## **PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

The Company's shares have not been listed on the Stock Exchange up to 30 June 2021. Except for the Company's Global Offering (including the partial exercise of over-allotment options), the Company and its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company from 30 June 2021 to the date of this announcement.

## **INTERIM DIVIDEND**

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2021.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

The Group is committed to maintaining and strengthening high standards of corporate governance by focusing on principles of integrity, accountability, transparency, independence, responsibility and fairness, in order to safeguard and protect the interests of its shareholders and to enhance corporate value and accountability system.

Given that the Company's shares have not been listed on the Stock Exchange up to 30 June 2021, the principles and code provisions of the Corporate Governance Code ("**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") do not apply to the Company during the Period. The Company has adopted the principles and code provisions of the CG Code as the basis of the Company's corporate governance practices, and the CG Code has been applicable to the Company with effect from the date of Listing.

From the date of Listing to the date of this announcement, so far as the Directors are aware, the Company has complied with all the applicable code provisions set out in the CG Code.

## **COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transactions. The provisions of the Listing Rules regarding directors' compliance with the code of conduct for securities transactions shall apply to the Company from the date of Listing. As the Company's shares have not been listed on the Stock Exchange as of 30 June 2021, the Model Code does not apply to the Company during the Period.

## **REVIEW BY AUDIT COMMITTEE**

The Company has established an audit committee (the “**Audit Committee**”) in compliance with Rule 3.21 of the Listing Rules with written terms of reference. As at the date of this announcement, the Audit Committee comprised three independent non-executive Directors, namely Mr. Chan Ngai Fan, Mr. Chen Sheng and Mr. Zhou Zejiang. Mr. Chan Ngai Fan is the chairman of the Audit Committee.

The Audit Committee has reviewed the Group’s unaudited interim condensed consolidated financial information for the six months ended 30 June 2021, which have been approved by the Board on 30 August 2021 prior to its issuance. The Audit Committee is of the view that the unaudited interim condensed consolidated financial information is in compliance with the applicable accounting standards, the Listing Rules and other legal requirements, and that sufficient disclosure has been made.

## **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT**

This interim results announcement is published on the websites of Hong Kong Exchanges and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.sanxungroup.com](http://www.sanxungroup.com)). The interim report of the Company for the six months ended 30 June 2021 containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and published on the above-mentioned websites in due course.

By order of the Board  
**Sanxun Holdings Group Limited**  
**Qian Kun**  
*Chairman*

Hong Kong, 30 August 2021

*As at the date of this announcement, the Board consists of Mr. Qian Kun, Ms. An Juan, Mr. Wang Zizhong and Mr. Zhang Xiaohui, being the executive Directors, and Mr. Chen Sheng, Mr. Zhou Zejiang and Mr. Chan Ngai Fan, being the independent non-executive Directors.*